

**MINUTES
of the
THIRD MEETING
of the
PUBLIC EMPLOYEE BENEFITS OVERSIGHT SUBCOMMITTEE
of the
LEGISLATIVE COUNCIL**

**September 1, 2005
State Capitol, Room 317
Santa Fe, New Mexico**

The third meeting in 2005 of the Public Employee Benefits Oversight Subcommittee of the Legislative Council was called to order by Representative Sheryl Williams Stapleton at the request of Ben Lujan, chair, on Thursday, September 1, 2005, at 10:26 a.m. in Santa Fe in Room 317 of the State Capitol.

PRESENT

Rep. Ben Lujan, Chair
Sen. Dianna J. Duran
Rep. Ted Hobbs
Rep. Sheryl Williams Stapleton

ABSENT

Sen. Lidio G. Rainaldi, Vice Chair
Sen. John T.L. Grubescic

Advisory Members

Sen. Sue Wilson Beffort
Rep. Ernest H. Chavez
Rep. James Roger Madalena
Rep. Teresa A. Zanetti

Sen. Leonard Lee Rawson
Sen. James G. Taylor

Staff

Pamela Ray
Lisa Barsumian
Tim Crawford

Guests

The guest list is in the meeting file.

Thursday, September 1

Handouts can be found in the original meeting file or in the library file at the Legislative Council Service (LCS).

COMPARISON OF MEDICAL BENEFITS PLANS BETWEEN IBAC AGENCIES

Lisa Barsumian, researcher, LCS, summarized the tables she prepared comparing various aspects of the four interagency benefits advisory agencies (IBAC): the Risk Management Division (RMD) of the General Services Department; New Mexico Retiree Health Care Authority (NMRHCA); Public School Insurance Authority (NMPSIA); and Albuquerque Public

Schools Benefits Program (APS).

There were three tables. **Table #1 (ivory)** compared:

- the number of enrollees in each plan;
- the administrative services only (ASO) fees;
- the share of premiums that are paid in each plan by the employee and the employer;
- the current fund balances;
- the claims year (CY) 2005 amount of claims paid for use of the prescription plan and medical plan; and
- the projected claims for use of the prescription plans and medical plans for CY 2006.

Table #2 (lavender) compared plans offered by each IBAC agency:

- the costs of copayments or coinsurance, office visits, lab tests, routine physicals, immunization, specialists, emergency room visits, inpatient hospital care, maternity inpatient care and outpatient surgery;
- gross monthly premiums;
- deductibles; and
- out-of-pocket maximums for services.

Table #3 (green) compared:

- prescription drug coverage;
- vision coverage; and
- dental plans.

DISCUSSION

Vera Dallas, APS, and Christy Edwards, NMPSIA, provided their perspectives on the benefits derived by their members from continuing to have their programs remain separate. Ms. Dallas noted that the location of APS in the Albuquerque metropolitan area benefits its members and allows the program to keep costs down for its smaller population (approximately 16,000) due to the competition between health care service providers in the city. Ms. Edwards noted that NMPSIA has a broader network of care providers located throughout the state. NMPSIA covers rural areas as well as metropolitan areas, and has a broad network of providers in rural areas. Its savings are derived from the number of members in the program (approximately 60,000). NMPSIA and APS boards have adopted different policies regarding copays and premiums. APS has higher monthly premiums and lower copays, which tend to encourage people to use preventive care, while NMPSIA has lower monthly premiums and higher copays, allowing NMPSIA members to take home more of their earnings in their paychecks and hopefully use medical practitioners more judiciously. See the chart below to compare premiums within and across plans.

PREMIUMS

AGENCY		BC/BS			PRES			CIGNA		
		HI	MED	LO	HI	MED	LO	HI	MED	LO
RMD	IND		\$364			\$286			\$302	
	FAM		\$975			\$786			\$831	
NMPSIA	IND	\$371		\$312	\$289		\$243			
	FAM	\$945		\$794	\$809		\$809			
APS	IND					\$348			\$329	
	FAM					\$875			\$940	
NMRHCA	IND	\$133	\$98	\$90	\$133	\$98	\$90			
	SPSE	\$253	\$227	\$212	\$253	\$227	\$212			

Observations:

APS covers the smallest group of people at 16,668. RMD (60,000) and NMPSIA (59,473) cover roughly the same number of people. NMRHCA provides coverage to just over half as many people (36,292) as does RMD. ASO fees vary between an agency's offered medical plans, depending on the plan a member has joined, and also vary between agencies (in some cases) within the same administrator. For instance, for RMD, three health care plans are offered: Blue Cross/Blue Shield (BC/BS), Cigna or Presbyterian (Pres) HMO. The following shows the ASO fees for those plans compared with the ASO fees for other IBAC agency plans:

<u>Plan</u>	<u>RMD (ASO fee)</u>	<u>NMPSIA</u>	<u>APS</u>	<u>NMRHCA</u>
• BC/BS PPO	\$18.39	\$14.35		\$14.35
• Cigna	\$15.55		\$14.40	
• Pres HMO	\$15.63			
• Pres Open Access			\$14.45	
• Pres PPO		\$14.45		\$14.45

The surplus fund balance in each of the agencies is as follows:

<u>Agency</u>	<u>Fund Balance</u>
RMD	\$ 16,300,000
NMPSIA	\$ 22,730,756
APS	\$ 4,143,115
NMRHCA	\$152,607,116

Claims for CY 2005 and projected claims for CY 2006 for each agency are as follows:

<u>Agency</u>	<u>CY 2005</u>	<u>CY 2006</u>
RMD	\$163,319,443	\$200,000,000
NMPSIA	\$164,014,000	\$182,007,500
APS	\$ 43,482,835	\$ 53,567,635
NMRHCA	\$137,298,368	\$154,474,333

RMD and NMPSIA claims are similar for CY 2005, which might be expected since the populations are of a similar size and basically have members across all adult age groups. NMPSIA, which has 1,000 fewer members, had \$1 million more in claims and has projected it will increase its claims for 2006 by \$20 million less than RMD has projected. NMPSIA has not completed its CY 2005, so this number is also a projected total for the year. APS, which has between one-fourth and one-third the number of members of RMD, has claims in an amount that reflect that ratio for CY 2005. The claims amount for APS is also a projection, since its claims year will not end until December 2005. NMRHCA has slightly more than one-half the number of retiree members of RMD (36,000 versus 60,000) but has had 84 percent of the claims of RMD, which may be a reasonable claims level considering the age of the population that NMRHCA serves. The claims year for NMRHCA is also a projection, because this claims year is an 18-month period ending on December 31, 2005 due to a shift to synchronize the claims year with Medicare D.

CLAIMS YEAR

RMD	July 1 through June 30
NMPSIA	October 1 through September 30
APS	December 1 through November 30
NMRHCA	January 1 through December 31 (beginning January 1, 2006)

A discussion ensued regarding the sources of administrative funding for the various IBAC agencies. More information is needed and will be provided for the next meeting. Questions that arose were:

- Is there duplication of administrative costs by having an administrative-services-only administrator and the in-house agency administration?
- What amount is spent on in-house administration of each program?
- What is the source of funding for in-house administration?

Christine Tessman, acting director, NMRHCA, reminded the committee that NMRHCA has five separate sources of revenue:

- contributions from currently working state employees;
- premiums paid by retirees;
- funding from the earnings on the Tax Administration Suspense fund;
- earnings from the NMRHCA reserve fund; and

- contributions from employers of currently employed state employees.

NMRHCA will increase its premiums by 2.9 percent to keep up with increased costs of delivering services. The actuarial increase in premiums required on January 1, 2006 is 7.8 percent, but because reserve funds are being used to cover part of the increased costs, NMRHCA is able to hold the premium increase to under 3 percent. NMRHCA is relying on the implementation of the Medicare D federal drug benefit program to also provide revenue to the program. There is a 28 percent subsidy from federal funds that NMRHCA can capture when Medicare D is implemented. NMRHCA has had to draw on reserves only three times since it was created.

ADJOURNMENT

The committee adjourned at 12:26 p.m.